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ORYX

June 9, 1997

Mr. David S. Guzy
Chief, Rules and Procedure Staff
Minerals Management Service
Royalty Management Program
P O Box 25165, MS 3101
Denver, Colo. 80225-0165

Re: Amendments to Gas Valuation Regulations for Federal Leases
(Federal Register Dated April 22, 1997)

Oryx Energy Company (Oryx) appreciates the opportunity to comment on the subject notice in the Federal Register. Oryx , one of the largest independent producers of oil and gas in the United States, believes its comments will provide the Royalty Management Program with alternatives for improving the royalty management process for the MMS and industry.

Oryx's first comment relates to MMS' notice on withdrawing its proposed rulemaking to amend the regulations for valuing natural gas produced from Federal leases for royalty purposes. MMS states in the subject notice that it " ...received many unfavorable comments in response to the proposed rule.". Oryx does not favor eliminating this rule in total after the massive project and countless number of hours spent formulating a negotiated rulemaking. Oryx believes that implementation of some index based methodology as a royalty payment basis option would still provide administrative savings to both industry and MMS, in addition to providing certainty and simplicity to this process.

Oryx believes that as an alternative to eliminating this proposed rule in total, MMS should consider implementation of this proposed rule for the offshore area only. The offshore area comprises the majority of the royalties collected by the MMS. If implemented for the offshore area only, then royalty simplicity and certainty could be achieved for the bulk of the royalties administered and collected by the MMS. Likewise, industry would achieve some administrative savings in addition to having certainty and simplicity for its offshore royalty payment responsibilities. The onshore area could continue to be administered under the existing regulations.

Oryx's second comment relates to the first additional option mentioned in the subject notice. This option to pay on index plus or minus a factor would in essence be the same as paying on gross proceeds. First, if you are eventually going to adjust your index based payment to gross proceeds, the why go through the process of paying on an index based methodology, then adjusting back to gross proceeds? This process results in double work. Second, part of the longstanding problem with gross proceeds is that it is very difficult to determine what in fact gross proceeds are. Due to the manner in which gas is commingled, transported, stored and sold, it is at times impossible to trace what any particular lease's gross proceeds are. Without further definition and clarification on the mechanics of this option, we believe it is not workable as a viable option.

Oryx's last comment relates to the second additional option mentioned in the subject notice. This option is based on a similar methodology used in the Norwegian area for crude oil. Like the option above, this proposal also requires further definition and clarification before we can opine on its practicality or usefulness to the domestic gas arena. In particular, formulation of a board comparable to the Norwegian Petroleum Price Board would be a very contentious and unprecedented process to apply to the domestic royalty payment process.

Oryx appreciates the opportunity to comment on the above issues. Please feel free to call me (972-715-3582) if you have any questions.

Sincerely,

Salomon Tristan

Salomon Tristan
Manager, Revenue Accounting